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DEPARTMENT OF AUDITOR-CONTROLLER**

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December 26, 2001

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION - FISCAL AUDIT
FOLLOW-UP**

As requested by the Audit Committee, we have completed a follow-up review of outstanding recommendations from our Department of Parks and Recreation (DPR) Phase II and Phase III fiscal reviews issued on September 6, 2000 and March 2, 2001, respectively. These reports contained 58 recommendations to improve the Department's fiscal operations. In previous reviews, we verified that DPR had taken action to implement 12 Phase II and III recommendations and all Phase I recommendations. The purpose of this follow-up review was to assess the Department's progress in implementing the remaining 46 recommendations from Phase II and III.

Status of Recommendations

Overall, DPR has taken action to fully implement 21 (46%) of the 46 recommendations. However, 20 (43%) recommendations are partially implemented and five (11%) are not implemented. DPR management needs to place priority on ensuring that all the recommendations are implemented and remain implemented. This should include requiring supervisors to perform periodic reviews to ensure staff complies with Departmental and County Fiscal Manual requirements.

The status of the 46 recommendations is discussed below:

Internal Control Certification Program - Phase II

Recommendation 1: DPR monitor compliance with required fiscal controls to identify problem areas and initiate corrective actions.

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Status: Partially Implemented

DPR management instructed the Budget and Management Services Division (BMSD) to conduct follow-up reviews of each unit's "Summary of Internal Control Weaknesses and Improvement Plans" to ensure the units implemented their corrective action plans. BMSD was scheduled to begin its follow-up reviews in September 2001. However, this date has been changed to January 31, 2002.

Procurement - Phase II

Recommendations 4 and 9: DPR Procurement staff maintain a complete file of agreement vendors, and ensure that Procurement accurately computes any required adjustments to vendor invoices.

Status: Implemented

Procurement staff had copies of all ten agreements in our sample. In addition, DPR management has established procedures to ensure that adjustments are calculated correctly and that staff follows the procedures.

Recommendation 11: DPR make payments to vendors within 30 days, as required by the County Fiscal Manual.

Status: Partially Implemented

DPR generates a periodic list of outstanding purchase orders and requires Accounts Payable staff to review the list to determine why the vendors have not been paid. We sampled 30 payments and noted ten (33%) were not made timely, including five (17%) that were more than 20 days late. Although the Department has made improvements, it needs to take additional steps to ensure payments are made timely.

Recommendation 12: DPR Accounts Payable staff maintain a list of agreements and purchase orders with discounts and require staff to refer to the list before making payments.

Status: Partially Implemented

We sampled ten payment vouchers and found that nine contained the correct payment terms. One voucher did not indicate the available discount and, as a result, a small discount was lost. DPR needs to ensure that staff verifies agreement payment terms for all invoices.

Recommendation 14: DPR train Procurement staff on the proper use of CAPS' scheduled payment date feature and ensure that payments are not made earlier than required.

Status: Implemented

DPR trained Procurement staff to use the scheduled payment date feature. Our sample of ten payments indicates that payments are not made earlier than required.

Contracting / Concessions – Phase II

Recommendation 15: DPR evaluate bids in accordance with Invitation for Bid (IFB) specifications by requiring staff to prepare an evaluation summary (i.e., checklist) and reject bids not in compliance with bid specifications.

Status: Implemented

We verified that DPR uses a checklist to determine whether contractors submit all required documents and penalizes bidders who do not submit all required documents.

Recommendations 18 and 19: DPR track concession revenue to ensure the Department collects all amounts due from contractors and concessionaires, and notify contractors/concessionaires in writing of overdue payments and assess/collect the applicable late charges.

Status: Implemented

DPR is tracking concession revenue to ensure payments are received. We reviewed seven instances where DPR had not received payment on time and found that DPR had notified the vendors in writing and had collected the payments and related late charges.

Warehousing, Fixed Assets and Portable Equipment – Phase II

Recommendation 21: DPR upgrade its inventory software or obtain software that is compatible with the Department's warehouse computers.

Status: Implemented

DPR developed and installed computer software to track inventory items at all locations, except DPR headquarters, which has a very small inventory.

Recommendation 22: DPR staff, in conducting portable equipment and fixed asset inventories, account for all items; investigate missing items; ensure items have County property tags; note changes due to property transfers, theft or loss; and update the lists for items found, but not previously recorded.

Status: Partially Implemented

DPR's Budget and Management Services Division developed a plan to monitor for compliance and to follow-up on exceptions. The first review is scheduled to start in January 2002.

Payroll / Personnel – Phase II

Recommendation 23: DPR initiate overpayment recoveries, issue supplemental warrants and adjust leave benefit balances to correct payroll exceptions identified in our review.

Status: Partially Implemented

DPR has taken action to correct twelve (55%) of the 22 exceptions. DPR indicated they would correct the ten remaining transactions by December 31, 2001.

Recommendations 24 and 27: DPR require supervisors to reevaluate and periodically review all bilingual bonuses to ensure employees meet the eligibility requirements, and require supervisors to periodically review the work assignments of employees receiving the Welfare Recipient bonus and notify the Personnel Section immediately when employees no longer meet the eligibility requirements.

Status: Partially Implemented

In April 2000, DPR Personnel began sending a quarterly listing of employees receiving these bonuses to the appropriate managers for recertification. Seventy-six (97%) of the 78 bonuses were re-certified by the managers. However, we noted two employees listed on CWTAPPS as receiving the bonuses were not included on DPR's list. As a result, these employees were not re-certified. DPR Personnel management indicated that they would begin comparing the CWTAPPS list of employees receiving the bonuses to their quarterly listing to ensure all employees are included on their listing.

Recommendations 25 and 26: DPR enter proper out-of-class bonus earnings codes into CWTAPPS and recalculate bonuses requiring manual recalculation when appropriate.

Status: Partially Implemented

We sampled ten employees with the most recent bonus start dates (eight out-of-class and two superior-subordinate) and found seven (70%) were coded or calculated incorrectly, resulting in underpayments of \$1,757 and an overpayment of \$6,392. DPR management indicated they had provided training to staff. However, staff turnover has made it difficult to ensure proper coding and calculations.

Recommendation 28: DPR monitor standby hours scheduled/worked to ensure employees do not earn more than their maximum allowable amount per month.

Status: Partially Implemented

We found that three (8%) of the 36 employees who received standby earnings during fiscal year (FY) 2000-01 exceeded their maximum monthly allowable amount by minor amounts. Supervisors indicated that they develop a monthly schedule of employees on standby to prevent employees from exceeding the monthly maximum. However, the employees switched their schedules among themselves, without notifying their supervisors, causing some employees to exceed the monthly limit.

Recommendation 29: DPR establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines.

Status: Implemented

We reviewed supporting documents for ten new bonuses and found that they were entered into CWTAPPS timely.

Recommendation 30: DPR use the correct leave codes while employees are on extended sick leave.

Status: Partially Implemented

We reviewed the CWTAPPS codes for the five employees with the greatest number of part-pay sick hours received and found that three (60%) were improperly coded, resulting in a \$344 underpayment and a \$364 overpayment. As indicated in Recommendations #25 and #26, DPR management indicated they had provided training to staff. However, staff turnover has made it difficult to ensure proper coding. To ensure accurate CWTAPPS coding, DPR should require supervisors to review, on a sample basis, CWTAPPS codes input by staff.

Recommendation 31: DPR ensure that once an employee begins receiving part pay sick leave, he/she does not use 100% time, unless specifically authorized in writing by the department head.

Status: Partially Implemented

We tested two employees and found that both had received 100% sick time after receiving part pay sick without the required approval. As noted in Recommendations #25 and #26, DPR management indicated they had provided training to staff. However, staff turnover has made it difficult to ensure proper coding.

Recommendation 32: DPR document medical verification when an employee is absent as a result of a prior illness/injury.

Status: Not Implemented

We discussed the procedures for extended sick leave with DPR staff and management and found that the Payroll Division does not verify that medical documentation is maintained when an employee is absent as a result of a prior injury/illness.

Recommendation 33: DPR suspend bilingual bonuses when an employee's absence exceeds sixty calendar days.

Status: Implemented

DPR indicated that they now monitor to ensure the bonuses are suspended. We noted one employee who received a bilingual bonus who was out more than 60 days and verified that the employee's bonus was suspended after 60 days.

Recommendation 34: DPR assign the responsibility of receiving warrants/direct deposit notices to someone with no other payroll or personnel functions.

Status: Not Implemented

We found that warrants and direct deposit notices are still delivered directly to the Personnel Section and that the Payroll Section is responsible for the distribution.

Recommendations 35, 36 and 38: DPR ensure time cards and adjustments made by the Third Party Administrator (TPA) are properly coded in CWTAPPS. DPR notify the TPA when injured employees return to work and assist the TPA in collecting overpayments.

Status: Implemented

DPR's Safety Office created a new form called an Industrial Accident Memorandum to improve communication between the Safety Office, the TPA and Payroll. The Safety Office uses this form to notify Payroll when the TPA requests an adjustment. The TPA indicated that DPR notifies them of employees who return to work and that they assist in collecting overpayments.

Recommendation 37: DPR ensure leave benefits are properly restored to employees in accordance with County Code Section 6.20.

Status: Implemented

We found four letters from the TPA requiring benefit balances to be restored and verified that employee benefits were restored for all four employees.

Recommendation 39: DPR code employees correctly during their post salary continuation periods.

Status: Partially Implemented

We reviewed the CWTAPPS codes for five employees in their post salary continuation period and found that two (40%) were not coded correctly. This resulted in a net overpayment of \$1,377 for one employee and a net underpayment of \$2,195 for the other employee. As noted in Recommendations #25 and #26, DPR management indicated they had provided training to staff. However, staff turnover has made it difficult to ensure proper coding.

Recommendation 40: DPR periodically review employees' profile assignments for appropriateness.

Status: Implemented

Based on our review of the CWTAPPS user listing and discussions with the acting Personnel Officer, DPR reviews employees' CWTAPPS access for appropriateness.

Special Funds Phase - III

Recommendations 1 and 2: DPR work with the Chief Administrative Office and the Auditor-Controller to develop a policy memo to share with the Board, which describes the nature and purpose of each special fund, the sources of revenue and types of allowable expenditures. DPR monitor and transfer all available special revenue fund resources at least annually to the General Fund to reimburse it for eligible expenses.

Status: Partially Implemented

DPR has completed draft policy memos for three of the 13 non-Prop A special funds. The balance in these funds totals \$4.6 million. DPR will begin reimbursing the General Fund as necessary and appropriate after DPR management approves the policy memos. Approval is expected by January 31, 2002.

Recommendation 3: DPR re-evaluate the budgets for the Golf Course Special Fund and the Regional Parks Special Development Fund to ensure they represent the best estimate of actual results, based upon past experience and operating trends.

Status: Not Implemented

After the special fund policy memos referred to above are completed, DPR should be able to more accurately budget these funds.

Recommendation 4: DPR include all special funds in the County budget.

Status: Implemented

The proposed FY 2001-02 County Budget includes all special funds except one fund, which has a \$3,200 balance, that will be closed by January 31, 2002.

Recommendation 5: DPR develop a plan to utilize the balance remaining in the County Trails Special Fund.

Status: Partially Implemented

The \$14,000 fund is included in the proposed FY 2001-02 County Budget. DPR's area managers submitted ideas for using the remaining fund balance. DPR management is evaluating the ideas and expects to finalize their spending plan by February 28, 2002.

Special Recreation Fund "K" Accounts - Phase III

DPR established a Special Recreation Fund in 1988 to finance recreation programs. The Fund consists of fees charged for Department sponsored events. For each recreation program, DPR maintains a subsidiary account, referred to as a "K" Account, to track program revenues and expenditures. "K" Accounts are to be event specific, self-sufficient and operate independent from DPR's general operating budget. Board approved fees and charges for the Department's General Fund should not be deposited to the Special Recreation Fund.

Recommendation 6: DPR ensure collections are deposited into the correct funds in accordance with Board approved guidelines.

Status: Not Implemented

We sampled \$69,437 in deposits made to five "K" Accounts and noted that \$9,896 (14%) should have been deposited into the General Fund. DPR is developing procedures to help ensure collections are deposited to the correct funds.

Recommendation 7: DPR require transfers between "K" Accounts to be approved by an Assistant Director or higher, and contain an explanation for the transfer.

Status: Implemented

The Director issued a memo requiring transfers to be properly approved and include an explanation for the transfer. We reviewed six transfers and found no exceptions.

Trust Funds - Phase III

Recommendation 8: DPR ensure that field locations submit revenue distribution information to the Accounting Services Section in a timely manner and that all transfers of funds from trust accounts be supported by proper documentation.

Status: Partially Implemented

DPR issued a memo to Assistant Directors emphasizing the importance of submitting timely revenue distribution information on Departmental Receipts. In addition, the Budget and Management Services Division provided cash handling training to field staff and reiterated the requirement for Departmental Receipts to be submitted to Accounting weekly. Despite these efforts, we continued to find numerous collections that remained in trust for over one year because field staff did not submit Departmental Receipts.

Recommendation 9: DPR develop a spending plan for the \$220,000 remaining in five inactive trust funds and work with the Board offices and the grantor agencies to obtain their approval.

Status: Partially Implemented

In November 2001, DPR contacted the State and obtained approval to use the \$220,000 in accordance with the intent of the original grant (e.g., the same park and/or similar types of projects). DPR has requested its area managers to identify eligible projects. DPR will then develop a spending plan by February 28, 2002 to share with the Board.

Recommendation 10: DPR review all trust funds yearly and close inactive funds if appropriate.

Status: Partially Implemented

Since the initial audit, DPR closed ten funds. However, we identified 13 trust funds, with a total balance of \$1.9 million, which have had no activity (other than interest revenue) in over 16 months. DPR has not reviewed these funds to determine if they should be closed.

Recommendation 11: DPR reconcile departmental trust funds timely and ensure that outstanding/unreconciled transactions are resolved promptly.

Status: Not Implemented

In our initial audit, we reviewed seven funds and found that none of the seven had been reconciled in over 16 months. Since our audit, the Department has reconciled only one

of these funds. Budget and Management Services Division management stated that the other funds have not been reconciled due to staffing shortages.

Grants - Phase III

Recommendations 12 &13: DPR monitor grant expenditures more closely so that grant funds are fully utilized and seek Board/Community Development Commission approval to reallocate funds among cost categories or from one grant to another when necessary.

Status: Implemented

Grants Administration management reviews expenditure reports quarterly to determine whether DPR needs to request approval to reallocate funds amongst cost categories or from one grant to another.

Recommendation 14: DPR submit grant claims and County billings within required timeframes.

Status: Implemented

We reviewed ten grant claims and one County billing and found that all were submitted timely.

Recommendation 15: DPR ensure that administrative costs claimed on Community Development Block Grants are based on the Auditor-Controller's indirect cost rates.

Status: Implemented

We reviewed five claims and found that DPR calculated administrative costs based on the appropriate indirect cost rates.

Foundations - Phase III

Recommendation 16: DPR accurately report data on the Annual Reporting Form for Foundation Activities.

Status: Partially Implemented

DPR's Acting Director instructed responsible staff to ensure that foundation information is reported accurately to the Auditor-Controller. In addition, DPR's Budget and Management Services Division will review future foundation statements to ensure they are completed accurately.

DPR has yet to submit the annual report for FY 2000-01, which was due in September 2001. We will review the accuracy of DPR's report when it is received.

Recommendation 17: DPR issue a written notice to the Friends of Greater Los Angeles Parks (FOGLAP) Foundation, describing the particular objectives they must achieve within a specified time frame in order to continue its relationship with the Department.

Status: Implemented

DPR sent a letter to FOGLAP's President in April 2001 informing him that the Department cannot provide support until it receives and approves the FOGLAP's action plan. FOGLAP has not responded. As a result, DPR stopped providing support (e.g., coordinating meetings, space, etc.) to the foundation.

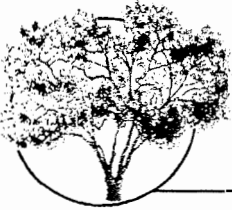
Review of Report

We discussed our findings with DPR management. The Department's written response (attached) indicates that it will submit an implementation plan within sixty days and that it expects to implement most of the outstanding recommendations by June 30, 2002.

If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:JS
Attachment

c: David E. Janssen, Chief Administrative Officer
Michael H. Smith, Interim Director, Department of Parks and Recreation
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee



COUNTY OF LOS ANGELES
DEPARTMENT OF PARKS AND RECREATION



December 19, 2001

TO: DeWitt Roberts, Chief
Audit Division
Department of the Auditor-Controller

FROM: Michael H. Smith
Interim Director

SUBJECT: **FISCAL AUDIT FOLLOW-UP**

We have reviewed the Fiscal Audit Follow-up report issued by your office. This Department generally agrees with the findings made by your staff and will continue to work with them to clarify what is required to fully implement the remaining unimplemented and partially implemented recommendations. The Department will submit a revised implementation plan within sixty days and expects to have most of the remaining recommendations implemented by June 30, 2002.

If you have any questions or require further information, please contact me at (213) 738-2951 or your staff may contact Brad Fleischer at (213) 738-3015.

MHS:SDW:sdw